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RUCNMEM/EU MEMBER STATES COLLECTIVE
RUEHAK/AMEMBASSY ANKARA 5934
RUEHBJ/AMEMBASSY BEIJING 3636
RUEHKO/AMEMBASSY TOKYO 3495
RUEHIT/AMCONSUL ISTANBUL 4176
RUEKJCS/JOINT STAFF WASHDC
RUEAIIA/CIA WASHDC
RUCPDOG/DEPT OF COMMERCE WASHDC
RHEFDIA/DIA WASHDC
RHEBAAA/DEPT OF ENERGY WASHDC
RHEHNSC/NSC WASHDC
RUEATRS/DEPT OF TREASURY WASHDC
RUEKJCS/SECDEF WASHINGTON DC
RUCNDT/USMISSION USUN NEW YORK 1274
RUEHVEN/USMISSION USOSCE 4128

C O N F I D E N T I A L SECTION 01 OF 02 ASHGABAT 001533

SIPDIS

STATE FOR SCA/CEN; EEB;
ENERGY FOR EKIMOFF/BURPOE/COHEN
COMMERCE FOR EHOUSE

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SUBJECT: TURKMENISTAN: GAZPROM TO BUY LESS GAS IN 2010?

Classified By: Charge Sylvia Reed Curran for reasons 1.4 (b) and (d).

11. (C) SUMMARY. A recent Russian article claimed that Gazprom would significantly lower the price it would pay for Turkmen gas, and the quantity it would take, in 2010. Although neither Gazprom nor the Turkmen government have commented on the article, the GOTX is preparing for Russia to buy less gas in 2010. Russian President Medvedev stated in September that he would return to Turkmenistan by the end of 2009, but now that visit seems doubtful. The GOTX is hoping that increased volumes to Iran and China will help it weather the reduction of gas exports to Russia. END SUMMARY.

12. (SBU) On November 24, the Russian newspaper "Vedomosti" published an article claiming that Gazprom's management had prepared a forecast of gas imports from Central Asia for 2010-2012. The forecast envisages that Gazprom will purchase not more than 10.5 billion cubic meters of gas per year from Turkmenistan between 2010-2012, and the price forecast for gas imports from Turkmenistan for 2010 is \$222 per thousand cubic meters (tcm) of gas, according to the article. The lower price and volume are reported to be part of a Gazprom budget and cost organization program, which was approved by Gazprom's Board of Directors at a November 24 meeting. Neither Gazprom nor the Turkmen government have publicly commented on the article to date.

13. (C) If Gazprom truly intends to decrease its purchase of Turkmen gas to 10.5 bcm, the 2010 volume would be four times less than volumes that Gazprom purchased in 2008 and intended to purchase in 2009 before the gas stalemate. The reported price of \$220 per tcm is also significantly lower than the price Turkmenistan got from Gazprom in 2009, which was reportedly \$320 per tcm. At the same time, if Turkmenistan does get \$220 per tcm from the Russians in 2010, it would be higher than the reported price of \$170 per tcm that Iran will pay.

14. (C) If Turkmenistan and Russia enter a deal for 2010, based on a \$220 per tcm price and a 10.5 bcm purchase volume,

then the GOTX would earn about \$2.3 billion from gas exports to Gazprom next year. In contrast, in 2009, Russia would have paid over \$3 billion for gas from January until March 2009, before Russia stopped buying gas in April, if the price for gas was indeed \$320 per tcm. Given that Russia has not resumed purchases of Turkmen gas since April, the GOTX has been gearing up for a lower gas price and lower volumes, but post's contacts at the Turkmen Ministry of Oil and Gas do not believe that Gazprom would purchase only 10.5 bcm of gas in 2010.

15. (C) The Turkmen government has been silent on Gazprom's plans so far. Turkmen state media reported on Russian First Deputy Prime Minister Zubkov's meeting with Berdimuhamedov on November 26, but did not mention any specifics regarding gas purchases. The Russian Embassy's Political Counselor Leonid Sklyarov told Charge that negotiations were still ongoing. When asked if Russian President Medvedev would come to Ashgabat in December to open a Russian school and to sign any deals, Sklyarov suggested that a Medvedev visit in December was a question mark. Sklyarov alluded to timing difficulties and mentioned that Medvedev had just been in Turkmenistan in September.

16. (C) COMMENT. The recent Russian article claiming that Gazprom will buy only 10.5 bcm of gas and pay \$220 per tcm for gas for 2010 has not been confirmed in Ashgabat. It is clear, however, that the GOTX expects both the price and volume of gas sold to Russia to decrease significantly. Although Turkmenistan is counting on increased exports to Iran and China over the next few years, the absence of large

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gas purchases from Russia may take a toll on the Turkmen budget. END COMMENT.
CURRAN